

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6020

BILL NUMBER: HB 1429

NOTE PREPARED: Feb 19, 2007

BILL AMENDED:

SUBJECT: Attorney's Fees in Medicaid Lien Collection Cases.

FIRST AUTHOR: Rep. Ulmer

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the amount of attorney's fees required to be paid by the Office of Medicaid Policy and Planning in Medicaid lien collection cases.

Effective Date: July 1, 2007.

Explanation of State Expenditures:

Explanation of State Revenues: This bill increases the amount required to be paid for attorneys' fees for subrogation lien recoveries. Increasing the attorneys' fees would reduce the amount of the recovery available to the state Medicaid Program and the federal government. The impact on the state General Fund for FY 2007 is estimated to range from \$752,000 to as high as \$1.03 M, depending on the growth rate of recoveries and the mix of the fees actually paid.

Background Information: The Office of Medicaid Policy and Planning (OMPP) reports that this statutory change applies to the fees paid for attorneys in personal injury lawsuits and settlements involving Medicaid recipients. It does not apply to estate recovery or liens against real property. OMPP reported actual recovery amounts, after payment of attorney fees, of \$2.51 M in FY 2004, \$2.96 M in FY 2005, and \$3.41 M in FY 2006.

The bill provides that attorneys' fees due on recoveries made without initiating legal proceedings would be 25%, rather than 7.5% as under current statute. Attorney fees for recoveries made after initiating legal proceedings would be 33 1/3%, rather than the current 10%. The additional attorney expense will reduce the total amount of recoveries available to Medicaid. The Medicaid Program is jointly funded by the state and

federal governments. The state share of program expenditures and any subsequent recovery of expenditures is approximately 38%.

If recoveries grow at the average rate that occurred between FY 2004 and FY 2006, or 16.6%, the reduced revenues to the state General Fund in FY 2007 are estimated to be a minimum of \$752,000. The maximum General Fund impact for FY 2007 is estimated to be \$1.03 M.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Amy Davis, Legislative Liaison for FSSA.

Fiscal Analyst: Kathy Norris, 317-234-1360.